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HEADQUARTERS
OFFICE OF THE
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WASHINGTON, D. C.
OFFICIAL BUSINESS

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WASHINGTON, D. C.
SIR:
U. S. S. A. *Wanted*

for information 9/16/31

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General Section, like Robert Humphrey, and the A.F. of C. propose instead an individual income tax cut giving emphasis to lower bracket rate reductions. Most arguments on both sides, declare a tax cut is desirable to prime the stagnant economy and forestall a stagnating recession. The business side is that with more after-tax profits, there will be more investment, stimulating the capital goods industries, which are the most stagnant. The labor-inclined argument is that there is already over-capacity, what is needed is to raise consumer purchasing power to stimulate production. (2)

THE PRESIDENT echoes the big business view: "The consumer purchasing power has held up. What has been particularly disappointing has been investment, and we have to consider whether a tax cut, and if so, what kind of a tax cut would stimulate investment if that becomes our need."

An immediate Chamber of Commerce-type cut is held up by (a) limitation of many Congressmen to what is called the "B" schedule, (b) the question of whether the cut should be permanent or temporary, and (c) the question of whether the cut should be phased in over a period of time. The Chamber of Commerce is in favor of a permanent cut in the top 10 percent of income, and a temporary cut in the top 10 percent of income. The Chamber of Commerce is in favor of a permanent cut in the top 10 percent of income, and a temporary cut in the top 10 percent of income. (3)

The big business-Administration argument is wrong, and labor's argument correct, so far as it goes. The financial journals concede that tax cuts already granted have not, and those pending are unlikely to, positively affect capital investment much. There is plenty of after-tax profits — a remark amount. The critical lack is any sphere for application of expanded capacity, at home or abroad. (4)

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frustration in such*

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